

## Message Text

CONFIDENTIAL

PAGE 01 MANAGU 01891 161930Z

11

ACTION ARA-10

INFO OCT-01 ISO-00 H-02 CIAE-00 DODE-00 INR-07 NSAE-00

PA-01 USIA-06 PRS-01 SP-02 EB-07 COME-00 TRSE-00

OMB-01 AID-05 /043 W  
----- 061405

R 161830Z MAY 75

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6989

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 1891

E. O. 11652: GDS

TAGS: ETRD, PGOV, NU

SUBJECT: SENATE SCORES MINECONOMY ON STEEL IMPORTS

REF: MANAGUA 1789

SUMMARY: A SENATE COMMITTEE REPORT ON SUSPENSION OF STEEL IMPORTS WAS UNEXPECTEDLY CRITICAL OF ACTION BY MINISTER OF ECONOMY MARTINEZ. DURING ENSUING SENATE DEBATE, MARTINEZ WAS SCORED BY LIBERALS AND CONSERVATIVES ALIKE IN PERHAPS STRONGEST CONGRESSIONAL ATTACK ON A SOMOZA MINISTER EVER. MARTINEZ DENIES THAT HE WILL RESIGN BUT PRESIDENT SOMOZA HAS APPARENTLY DECIDED TO ALLOW HIM TO TAKE HIS MEDICINE FOR HIS ACTION WHICH FAVORED SPECULATORS OVER CONSUMER INTERESTS. END SUMMARY.

1. THE NICARAGUAN SENATE COMMISSION CHARGED WITH CONSIDERING THE EMBARGO ON IMPORTS OF STEEL REINFORCING BARS (REBARS) DECREED BY MINISTRY OF ECONOMY (MANAGUA 1630) RECOMMENDED ON MAY 13 THAT THE DECREE BE RESCINDED AND IF THIS BE CONSIDERED DAMAGING TO NATIONAL ECONOMY THAT PROTECTION BE GIVEN ONLY TO LOCAL MANUFACTURERS OF REBARS ON A TEMPORARY BASIS WITH STRICT AND ENFORCED PRICE CONTROLS. COMMISSION CONCLUDED THAT PRESENT DECREE IS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANAGU 01891 161930Z

PREJUDICIAL TO THE ECONOMY IN GENERAL AND RECONSTRUCTION OF MANAGUA

IN PARTICULAR.

2. COMMISSION DETERMINED THERE WERE THREE TYPES OF IMPORTERS, ESTABLISHED INDUSTRY, TRADITIONAL COMMERCIAL IMPORTERS, AND OCCASIONAL IMPORTERS WHO SPECULATED IN THE METAL. THIS LATTER, ACCORDING TO REPORT, SHOULD NOT BE PROTECTED BUT SHOULD SUBJECT TO LAW OF SUPPLY AND DEMAND. OTHERWISE, A SERIOUS PRECEDENT WILL BE ESTABLISHED THAT WILL HARM FREEDOM OF THE MARKET, THE BASIS OF NICARAGUA'S COMMERCIAL SYSTEM.

3. WHILE THE REPORT DID NOT GIVE NUMBERS, OTHER SOURCES HAVE STATED THAT INDUSTRY HAS 20,000 TONS OF REBARS OR EQUIVALENT IN RAW MATERIAL ON HAND, TRADITIONAL IMPORTERS HAVE 5,000 TONS AND SPECULATORS HAVE 35,000 TONS. THIS TOTALS ABOUT THREE YEARS NEED. THE MANAGER OF METASA, MANUFACTURER OF REBARS, DOUBTS THE AMOUNT HELD BY SPECULATORS--HE CANNOT LOCATE THESE SUPPLIES THROUGH HIS SOURCES AND SAYS 35,000 TONS OF STEEL COULD NOT BE CONCEALED. HE ESTIMATES SPECULATORS HAVE NO MORE THAN 5,000 TONS.

4. THE SURPRISING SHARPLY NEGATIVE TONE OF THE COMMITTEE COMPOSED OF TWO VETERAN LIBERALS AND A CONSERVATIVE SEEMED TO GIVE THE GO-AHEAD FOR AN UNACCUSTOMED FULL-SCALE DEBATE IN THE SENATE ABOUT THE DECREE AND THE CULPABILITY OF MINISTER OF ECONOMY JUAN JOSE MARTINEZ. A MOTION TO SUSPEND THE DECREE BY CONGRESSIONAL ACTION BARELY FAILED TO PASS ALTHOUGH FOUR OF THE MOST INFLUENTIAL LIBERALS (EX-TRIUMVIR LOVO CORDERO, EX-HOUSE SPEAKER ORLANDO MONTENEGRO, EX-INTERIM PRESIDENT LORENZO GUERRERO, AND DAVID ZAMORA) VOTED IN FAVOR ALONG WITH THE CONSERVATIVES. THE SENATE WAS UNANIMOUS IN BACKING THE COMMISSION REPORT AS A MINIMUM MEASURE. AT THE SAME TIME, MINISTER MARTINEZ WAS SUBJECTED TO WHAT OPPOSITION LA PRENSA DESCRIBED AS THE SEVEREST ATTACK THAT ANY CABINET MINISTER IN LIBERAL GOVERNMENT HAD SUFFERED IN HISTORY. MONTENEGRO, AND LOVO CORDERO JOINED CONSERVATIVES JULIO ICAZA AND CONRADO VADO IN GOING BEYOND THE COMMITTEE'S REPORT AND HARSHLY CRITIZING MARTINEZ. MONTENEGRO TOLD THE PRESS AFTERWARDS THAT MARTINEZ OUGHT TO RESIGN. A SINGLE LIBERAL SENATOR ROSE TO DEFEND MARTINEZ DURING THE DEBATE.

5. THE EMBATTLED MARTINEZ SAID IN AN INTERVIEW THAT HIS CONSCIENCE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANAGU 01891 161930Z

WAS CLEAN, THAT HE WAS NOT A COWARD AND WOULD NOT RESIGN. HE DENIED KNOWING THE NAMES OF THE SPECULATORS ALLUDED TO IN THE SENATE COMMITTEE REPORT, CHALLENGING THE SENATORS TO PRODUCE THEM IF THEY KNEW. HE STATED, HOWEVER, THAT HE WOULD CONSIDER REVISING THE DECREE ALONG THE LINES SUGGESTED IN THE REPORT.

6. COMMENT: INSTEAD OF EMPLOYING THE CONSIDERABLE POWERS AT HIS DISPOSAL (E.G. CENSORSHIP, PARTY DISCIPLINE) IN ORDER TO QUELL THE

PUBLIC FUROR CREATED BY MARTINEZ' ACTION ON STEEL IMPORTS,  
PRESIDENT SOMOZA HAS CHOSEN TO PERMIT THE STORM TO CONTINUE.  
LONG EMBARRASSED BY MARTINEZ' INCOMPETENCE AS WELL AS CONSTANT  
RUMORS OF HIS MALFEASANCE, BUT RELUCTANT TO FIRE HIM BECAUSE OF  
OTHER CONSIDERATIONS, SOMOZA MAY HAVE CHOSEN THIS  
OPPORTUNITY TO LET THE MATTER RUN ITS COURSE AND CONCLUDE WITH  
MARTINEZ' RESIGNATION WITHOUT HIS HAVING TO TAKE ANY OTHER ACTION.  
A SUB-CABINET OFFICIAL AS WELL AS MANY CONSERVATIVES ALSO  
SPECULATE THAT PRESIDENT SOMOZA, EXASPERATED WITH ALLEGATIONS  
OF FREE-WHEELING, AND UNCONTROLLED GRAFT IN HIS REGIME, IS USING  
THE MARTINEZ CASE FOR A DIDACTIC PURPOSE WITH REGARD TO OTHERS  
IN HIS ADMINISTRATION. WHATEVER THE REASON, THE BIPARTISAN  
THRASHING OF MARTINEZ HAS ENTHRALLED THE POLITICAL WORLD AND  
FOR THE MOMENT HAS TAKEN ITS MIND AWAY FROM MOST OTHER  
CONCERNS.  
SHELTON

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STEEL, IMPORT CONTROLS, CENTRAL LEGISLATURE, GOVERNMENT REACTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 16 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MANAGU01891  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750173-1117  
**From:** MANAGUA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750545/aaaabori.tel  
**Line Count:** 131  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 MANAGUA 1789  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 SEP 2003 by CunninFX>; APPROVED <13 NOV 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SENATE SCORES MINECONOMY ON STEEL IMPORTS  
**TAGS:** ETRD, PGOV, NU, (MARTINEZ LOPEZ, JUAN JOSE)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006